

EXHIBIT 141

EXHIBIT FILED UNDER SEAL



Date: Tuesday, June 3 2014 11:39 PM

Subject: Fwd: May BOD update

From: Riaz Valani

To: Zach Frankel [REDACTED]

Attachments: 14-05 BOD Update.pdf; ATT00001.htm; 2014-05-20 FDA Guidelines and Ploom Impact.pdf; ATT00002.htm

Begin forwarded message:

From: "James Monsees" <james@ploom.com>

To: "Adam Bowen" <adam@ploom.com>, "Riaz Valani" <rvalani@gacapital.com>, "Nicholas J. Pritzker" <nicholas@taocap.com>, "Pirard, Eddy" <eddy.pirard@jti.com>, "Langner, Klaus D" <klaus.langner@jti.com>

Cc: "Daniel Hansen" <dhansen@mh-llp.com>, "Ralph Eschenbach" <ralph@eschenbach1982.com>, "Joby Pritzker" <joby@taocap.com>

Subject: May BOD update

All,

Attached please find the May BOD Update. I encouraged each department to more clearly communicate metrics and action items, which is the reason why there was no update in April. Since the next board meeting is early next month there will also be no June update to allow each department to prepare board slides. Please consider this the general format for the deck during the upcoming board meeting. Please let me know within the next few weeks if you'd like to see additional detail beyond what is communicated here for the board meeting. Of course I'll include some additional information regardless including an updated SWOT analysis and function report card.

In addition, please also find the most recent iteration of Ploom's analysis of FDA deeming regulation impact for your review.

Eddy and Klaus, I'm not sending this information to anyone else at JTI since this is BOD material. If you deem appropriate to forward portions or all of this deck to specific people inside JTI please feel free to do so at your discretion.

Questions or comments of all sorts welcome as always. Thanks.

-James

James Monsees ceo

ploom<<http://ploom.com/>> | 660 Alabama St, 2nd Floor, San Francisco, CA 94110 | m 415 218 0374<<tel://m%20415%20218%200374>>



BOD update

May 2014

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1

key points

Juul

Development is on schedule. General manufacturing plan is identified, with Defond to manufacture the device in China and the JUULpods in Hong Kong using primarily manual methods to start. Key needs are to receive the JUUL agreements and business plan from JTI and refine US volume expectations based upon selective trade receptivity under NDA. Liquid chemistry patent filed. Phase 0 clinical trial results complete with exceptional results. JUULpod prototypes are yielding considerably more vapor per puff than any small form factor competitor. End of June should see fully functional prototypes without leaking issues. Device and JUULpod will then be increased in size slightly for better market positioning.

Financing

Fundraising process is progressing smoothly. Primary and secondary materials for fundraising have been prepared and circulated broadly. Ex-banker consultant has been brought on to assist in data room prep and materials refinement. Backfill interest from high profile individuals and value-add investors is likely at or beyond the size of the round. Several potential lead structures are in discussions. Expect a lead to be identified in the next 4-6 weeks and for the process to accelerate from there.

Supply Chain and Forecasting

Forecasting has been right-sized and controlled. Defond excess component inventory situation has been resolved. Pod supply outstanding PO issues have been resolved with JTI. Ploom is holding approximately \$1.4M in excess components across all product categories, most of which will be drawn down with subsequent manufacturing needs. Ploom is holding approximately 80K excess M2 finished goods devices in excess of demand due to the transition to M3, expecting most of this to be written down in 2015.

Exec Hiring

Our new CFO John Franzino has signed on and begins June 16th. The CMO role is being redefined generally as a C-level "growth lead" to oversee marketing and sales. The search will resume following John's start so he can participate.

M3

Mouthpiece ergonomics and condensation have been considerably improved based in part on feedback from JTI. Device testing at elevated temperatures for VG-heavy pod formulation compatibility is showing high confidence for launch. Despite the higher operating temperature, mouthpiece operating temperature is reduced with VG-heavy formulation. On track for Q4 launch. Key issue is to identify VG-heavy pod launch timing with JTI, but this won't impact device launch timing.

PAX2

PAX2 Alpha prototypes are complete and very well received internally. Product heats up considerably faster and successfully addresses all major identified issues with PAX1. Product development is on schedule for Q1 2015 launch so that PAX1 inventory can be drawn down over the 2014 holiday season.

B1

New heater technologies have shown the capability to reach sub-3 second heat up times reliably and consistently. Considerably more engineering development is still needed to move these results to a manufacturable design. Sachet-type consumables will begin testing soon.

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Quantum

Privileged information regarding ongoing actions continue to be communicated separately.

US sales

US sales are slightly above forecast. Approximately 50 new activations. Still no substantial pull-through information on M2 but distributor and wholesale account diversification is clearly growing substantially. Approximately 3000 additional PAX accounts, primarily in CTS channels over this time last year. Customer base diversification is outpacing revenue diversification. Expecting strong revenue diversification from JUUL introduction, as accounts are being well positioned for that launch.

Compliance

Compliance continues to improve as internal capabilities are ramping up. Key need is to continue to decrease dependence on outside counsel and get to fully compliant status-quo in 2014. TTB importer application will be delayed as a result of adding the new CFO as a director.

PAX Counterfeiting

Won a judgment against iPloom and the individual behind it, Anthony Marino, for \$500K plus legal costs. Unlikely we'll see much of this money but it's a strong precedent. Continuing to further deepen relationships with DH Gate, Alibaba and other gateway e-commerce platforms.

Comp and options

Executive compensation ratified and finalized. Last round of option issuances ratified and finalized. Awaiting signatures from JTI UK management to ratify agreed option pool increase.

Merchant Services

Separate accounts set up for JUUL, well in advance of need. No major issues with merchant services, and website backend is running smoothly. Backup merchant providers are in place for each product line.

JTI Reimbursements

Issue has been resolved.

Cash Flow

Cash position continues to improve and is on track as planned to hit EOY targets.

Budgets

Departmental budgets have been finalized and are being tracked monthly to actuals.

Operational Tools

ERP and CRM systems have been initiated and should be operational by Q4. Expecting increased efficiency, communication and tracking capabilities.

finance

Finance is the stabilizing force of the organization, ensuring financial operating capability, particularly under rapid growth. Through the ongoing creation of structured process finance addresses:

- Management and periodic assessment of Ploom's five-year strategic business plan
- Development and adherence of departmental budgets
- Continued Cash Flow management
- Cost containment
- Ongoing regulatory compliance
- Accurate record keeping

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key learnings

- The existing team is operationally-focused with minimal bandwidth. This limits the ability to provide strategic, holistic direction the company requires.
- Cash management has stabilized. Continued focus ensures Ploom will improve its cash and overall financial position in the current year.
- In a rapidly growing environment the company has clearly been consistently under capitalized.

key initiatives

- CFO hire - this critical role will develop and execute the overall business and financial strategy of Ploom. John Franzino accepted, begins June 16th.
- Continuing to refine and validate forward-looking scenario planning for market capture
- Strict budgetary adherence and other control processes and procedures to support sound operations necessary as the company continues to grow
- Continuing to bring in-house the appropriate resources in addition to sourcing the necessary expertise required to support operations
- Selection and implementation of a robust and sophisticated accounting/ERP solution, enabling improved efficiencies in record keeping and enhanced reporting capabilities

finance

CFO hire

We have a candidate recommendation under consideration by the board: John Franzino, former CFO of Santa Fe Natural Tobacco Company

Forward-looking scenario planning

Ploom continues to refine and validate forward-looking scenario planning for market capture. At present, we are continuing to gather and synthesize e-Cig market research in order to validate the potential market for JUUL.

Budgetary adherence and other control processes

We continue to develop and apply processes to manage expenditures as well as ensure consistency in on boarding new customers.

Our cross departmental review of Q1 spend to Q1 budget confirmed that spending patterns were being managed properly and any material issues were addressed with the appropriate department head (see chart on right for further detail).

Finance resources

We continue build out our team to manage the needs of the department, with the CFO role being our first priority. In addition, we continue to source the necessary expertise required to support operations.

ERP

We are in the final stages of selecting an accounting/ERP solution. The finance department has made specific requests of potential vendors to understand further the capabilities of the systems and how those suit the needs of the department. We are awaiting review.

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Q1 2014 Actual to Forecast

Department	Forecast	Actual	%
Employee	1,552,668	1,333,537	86%
Sales + Distribution	1,628,676	971,991	60%
Marketing	925,501	366,145	40%
Engineering	239,500	302,627	126%
R&D	225,000	435,127	193%
RMA/Warranty	156,000	159,423	102%
G&A	399,829	527,368	132%
Travel & Entertainment	155,856	129,365	83%
	\$5,283,030	\$4,225,583	82%

Employee spend anticipated C-level hires occurring in early Q1.

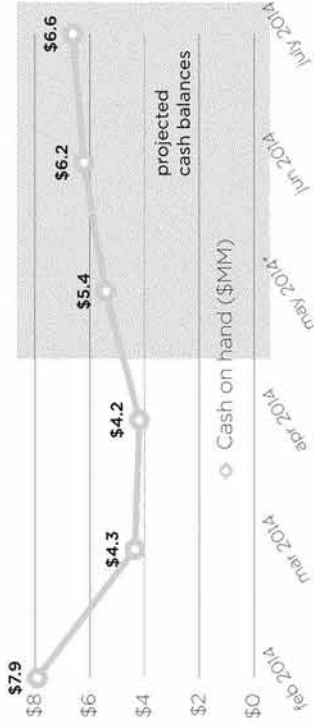
In response to CF considerations in Q1, revenue-driving departments (Sales and Marketing) operated in line with Q4 actuals vs. budget. Q2 spend will follow budget.

R&D excess spend is primarily attributable to regulatory legal spend. Spend in this area will be more appropriately managed in future quarters.

63% of T&E is Sales team driven and in line with budget.

financial dashboard as of April 30, 2014

Combined Cash on Hand: \$4.2MM



Cash balances declined to their lowest point in April as Ploom continued to make payments towards Defond negotiated balances, including an additional \$1MM relating to component balances. Cash balances have improved in the first half of May due to distributor revenues exceeding projections, timely receipt of receivables, and continued careful management of cash expenditures. Given sales projections coupled with estimated spends, we anticipate cash balances will exceed \$6MM by end of Q2.

Royalty Receivable: \$17.5K
Based on JTI reporting through March 2014

Inventory - March 31: \$12.3MM
Inventory balances of \$12.3MM include \$1MM in Raw Materials, reflecting M2/M3 components inventory resident at Defond. As of May 19, Finished Goods balances are \$11.9M; we expect PAX inventory balances to normalize by Q3. There is no expectation of a draw down in components in the coming quarter.

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A/R Aging of Material Balances

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Harbor Wholesale	54,196					54,196
JTI	54,784	47,745			20,000	122,529
Kretek Int'l	328,800	-	-	-	-	328,800
Sheetz, Inc	329,761	-	-	-	-	329,761
South Bay Wholesale	43,685	-	-	-	-	43,685
Warehouse Goods	3,737,215	197,630	-	-	-	3,934,845
	\$4,548,441	\$245,375	\$0	\$0	\$20,000	\$4,813,816

Notes as of May 19, 2014:
(1) JTI balances do not include balances relative to the Reimbursement.

A/P Aging of Material Balances

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
DEL Enterprises	2,058,956	-	-	-	-	2,058,956
Genhon (1)	53,787	-	-	-	-	53,787
Kuehne+Nagel (2)	67,201	-	-	-	-	67,201
NMS (3)	148,724	-	-	-	-	148,724
WSGR (4)	44,809	-	-	-	-	44,809
TOTAL	\$2,373,477	\$0	\$0	\$0	\$0	\$2,373,477

Final payment relative to the negotiated balances with DEL were made in the first half of April. At present, all DEL balances are current and reflect current ordering and engineering needs.
(1) Soft Finished Goods (M2/PAX sleeves...)
(2) Logistics
(3) Inventory management
(4) Legal - regulatory

marketing

Deliver growth and drive revenue by acquiring and maintaining retailer interest and consumer conversions

modelTwo - Drive sales at brick & mortar level and ensure consumer satisfaction

Pax - Maintain sales growth

Launches - Develop launch strategies for modelThree, Pax 2 and Juul

key learnings

modelTwo is a complex product offering that requires educational messaging
Expectations of modelTwo need to be managed to ensure consumer satisfaction
Pax has achieved saturation within a niche consumer base
Potential for expanding Pax consumer base lies with growing tobacco consumer base

key initiatives

Message modelTwo product promise
Improve modelTwo product experience for consumers
Communicate how to sell modelTwo / drive pull-through
Develop modelThree launch strategy
Improve content distribution to increase mainstream awareness of Pax
Promote Blend X to grow tobacco consumer base
Develop go-to-market strategy for Pax 2
Establish product, consumer and market learnings for Juul go-to-market strategy

marketing: key initiatives drivers

Communicate how to sell modelTwo / drive pull-through

- Rebooting all sales materials to more clearly and concisely communicate how to achieve modelTwo sales
- Testing variety of retailer POS/promotions/offers
- Testing ways to better utilize events to drive sales

Benchmark: complete tests and perform analysis by modelThree launch

Message modelTwo product promise

- Developing and testing brand messaging alternatives to "Rethink Tobacco"
- Secured new thought-leader PR firm to place CEO bylined articles to drive increased messaging impressions and help refine messaging
- Increased focus on business press for greater modelTwo product education

Benchmark: target % growth in number of placements achieved

Improve modelTwo product experience for consumers

- Utilizing new 6-second videos and new Pro Tips card to better communicate product use
- Utilizing web programmers for better modelTwo consumer data to guide messaging and strategy and exploring additional vendors
- Working on ploom.com reboot to make it easier for consumers to find information

Benchmark: site reboot by modelThree launch

Develop modelThree launch strategy

- Aligned with sales, customer service, engineering and supply
- All messaging and assets needed for launch - PR, sales decks, Ploom.com
- Tradeshow and trade advertising strategy

Benchmark: complete tests and perform analysis by modelThree launch

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RETHINK TOBACCO



on your entire purchase of a 5 pack of Ploom cigarettes, you'll receive 5 good packs of your choice

SAVE \$40

MEET PLOOM



SAVE 25¢

SELLING PLOOM MADE EASY



"The sleek, modern, minimalist design of both modelTwo and Pax make them as much a high-tech gadget as a smoking implement, a quality that sets Ploom apart from both traditional tobacco accessory makers and e-cigarette retailers...For both, a polished design and feel make them feel decidedly high-end."

"The glowing gadgets d'art...are essentially the future of the cigarette."

Inc.


FORTUNE



PRO TIPS

- 1. Your Ploom is smart! Just hold your Ploom in your hand and it will heat up to the perfect temperature for you.
- 2. Ploom is a smart device. It will heat up to the perfect temperature for you.
- 3. Ploom is a smart device. It will heat up to the perfect temperature for you.
- 4. Ploom is a smart device. It will heat up to the perfect temperature for you.
- 5. Ploom is a smart device. It will heat up to the perfect temperature for you.

The Ploom modelThree



- 1. Ploom is a smart device. It will heat up to the perfect temperature for you.
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marketing: key initiatives drivers

Improve content distribution to increase Pax mainstream awareness

- Online ads are increasingly driving revenue, so increase in spend is merited
- Tying content distribution to event related spends
- Exploring paid video distribution platforms

Benchmark: target % growth in ploom.com sales, video views and audience

Promote Blend X to grow tobacco consumer base

- Sell sheet and retailer POS
 - Social media and newsletter campaign
 - Blend X specific PR pitching
 - Introducing new Blend X SKUs for more comprehensive and compelling offering
- Benchmark: target % growth in ploom.com sales and number of placements achieved**

Develop go-to-market strategy for Pax 2

- Product launch task force exploring pricing and timing
 - HoReCa (Hotel/Restaurant/Cafe) tests:
 - Casino/hotel gift shop, minibar, bottle service, pool/beach cabana menus
 - Setting up test partnerships with SBE Group at SLS Vegas and SLS Miami
 - ID'ing opportunities to tie marketing spends to sales distribution placements
 - Exploring additional distributors to better facilitate HoReCa orders
- Benchmark: complete tests and perform analysis by end of calendar year**

Establish learnings for Juul go-to-market strategy

- Sheetz consumer survey to generate consumer data
 - Currently analyzing additional consumer insight gathering tactics
- Benchmark: complete tests and perform analysis by end of calendar year**

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1. I am: ☐ Female ☐ Male

2. Age: ☐ 18 to 24 ☐ 25 to 33 ☐ 34 to 40 ☐ 41 to 49 ☐ 50+

3. Which do you currently use on a regular basis? Check all that apply.

☐ Traditional Cigarettes ☐ E-cigarettes ☐ E-Cigs (with nicotine) ☐ E-Cigs (without nicotine) ☐ Vaporizers ☐ RYO/Pipe Tobacco

4. How often do you use these products? ☐ Regularly ☐ Socially ☐ Special Occasions

5. Where do you typically purchase tobacco/e-cigs?

☐ Convenience Stores ☐ Smoke Shops / Head Shops ☐ Cigar Stores ☐ Online

6. What most motivates you to purchase tobacco/e-cigs?

☐ Product Reviews ☐ Advertising & Promotions ☐ Recommendation from a friend

7. Have you previously heard of Ploom? Check all that apply.

☐ Yes, I've heard of Ploom. ☐ I've heard of Ploom. ☐ I've heard of Ploom.

8. If yes, how did you hear about Ploom?

☐ From a friend ☐ Media Coverage ☐ Advertisement ☐ Personal Research ☐ Online

9. Do you find this offer compelling? ☐ Yes ☐ No

Email (Optional): _____

Email Opt-In Disclaimer: Ploom/NoTobacco

Data Protection Disclaimer: Psycholider

marketing: brand building

2X

Brand-guided companies on average, have profit margins nearly twice their respective industry average

61%

61% of consumers consider buying the brand, product or service recommended by a brand advocate

90X

A consumer mentions specific brands in conversations with friends, family and co-workers 90 times each week

37%

The Top 100 Most Powerful Brands outperformed the S&P 500 by 37% between 2006 and 2011

*Source: prophet.com/sites/strongbrands/

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PAXTM

by ploom.

It's been nearly 2 years since the Pax brand debuted.

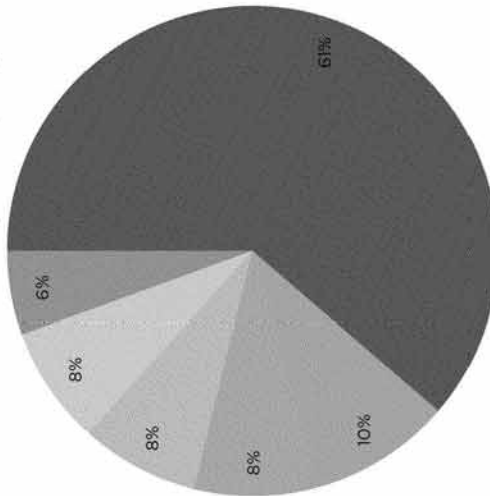
On average today, over **65%** of ploom.com visitors first enter the site directly through the Pax product landing page, the vast majority through organic searches.

Though it's difficult to directly attribute dollars, the influence of brand-building efforts on revenue over time is unquestionable.

marketing: modelTwo Q1 spend & ROI

- Events + Samples = 61%
 - Online Advertising = 10%
 - Print Advertising = 8%
 - Travel* = 8%
 - All Other = 6%
- Other includes Collateral, Design, Website, Photography, Video, Influencer
- * Travel includes Event, PR, and Influencer

total Q1 modelTwo spend - \$268,357



Key Initiative: Message modelTwo product promise & improve modelTwo experience for consumers

Category	Program	Q1 Spend	Q1 ROI
Events + Samples	Lifestyle Events	\$160,583	23,672 attendees 2,105 sampled 22 events 19 media placements
Online Advertising	Newsletter, Banner Ads, Social Marketing	\$23,789	\$85,956 in ploom.com sales
Print Advertising	Target City Magazines	\$20,220	289,207 impressions 2 placements
PR	Media Placements	\$19,617	1,008,540 impressions 5 placements
*Reduced planned Q1 spend of \$436,000 by 38% per Finance Department in effort to stabilize cash balances		Total Key Category Spends:	ROI on Key Category Spends:
Budget overly allocated toward Events spend category, as events were previously contracted - this		\$237,142	ploom.com sales: \$85,956 Impressions/UMV/Views: Placements: 26 Event Attendees: 23,672 Attendees Sampled: 2,105 Events: 22

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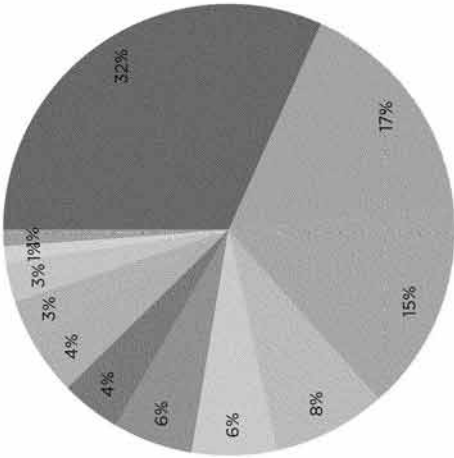
marketing: modelTwo budget pivot

Opportunity budget - Reallocating remaining budget toward marketing support in Sales target cities, consumer research, large-scale activation test(s)

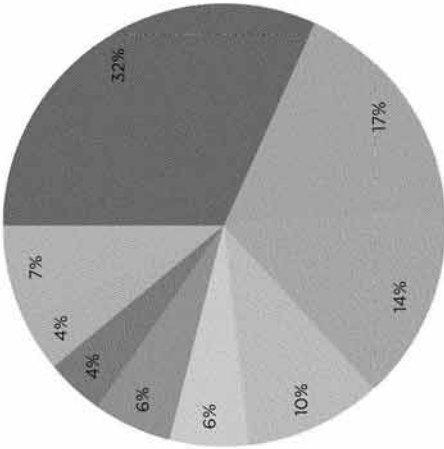
- Events = 35%
- Online Advertising = 17%
- Print Advertising = 15%
- PR = 8%
- Influencer = 6%
- Website = 6%
- Collateral = 4%
- Samples = 4%
- Design = 3%
- Travel = 3%
- Video = 1%
- Photography = 1%

- Events
 - Print Advertising
 - Opportunity
 - Online Advertising
 - Website
 - PR
 - Travel
 - Influencer
 - Other
- Other includes Design, Samples, Video, Photography, Collateral*

Initial 2014 Budget - \$1,743,074



adjusted 2014 Budget



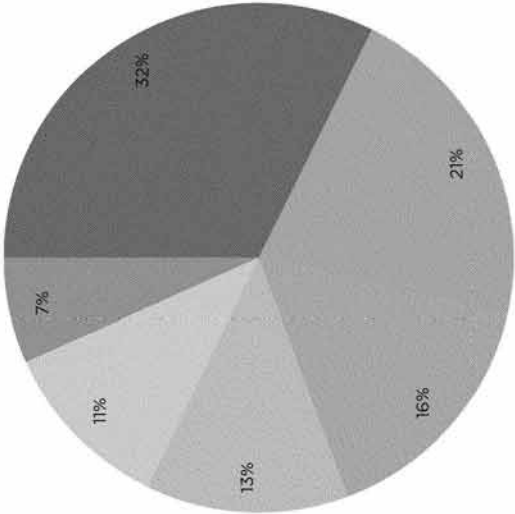
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Collateral	Reduce to \$7,000 - previous spends are now captured with Sales and Global Supply budgets - distributor and retail support, fulfillment materials
Online Advertising	Reduce to \$175,000 - reduced social marketing budget per ROI results, savings by rolling retargeting ads into display advertising program
Print	Increase to \$300,000 - value add opportunities through buys for events and online
PR	Decrease to \$100,000 - cut target city local PR firms, cut event publicist spends in HI
Photography	Reduce to \$15,000 - savings generated by utilizing renderings
Influencer	Reduce to \$70,000 - savings generated by new Field Marketing Manager hire - no longer utilizing influencer agency for on-site management
Samples	Reduce to \$30,000 - Field Marketing Manager reviewing program to tighten spend
Travel	Increase to \$75,000 - increased team size and increased focus on Sales field information gathering

marketing: Pax Q1 spend & ROI

- Influencer + Samples = 32%
 - Print Advertising = 21%
 - PR = 16%
 - Online Advertising = 13%
 - Video = 11%
 - All Other = 7%
- Other includes Collateral, Design, Website, Photography, Travel*

total Pax Q1 spend - \$131,628



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Key Initiative: Improve content distribution to increase mainstream awareness of Pax			
Category	Program	Q1 Spend	Q1 ROI
Influencer/Samples	Celebrity & Influencer Seeding	\$44,502	77 placements generated 52,182,202 impressions/UMV/views + 55 influencer social posts
Print Advertising	Target City Magazines	\$27,442	3,275,179 impressions 18 placements
PR	Media Placements	\$20,111	57,219,669 impressions 15 placements
Online Advertising	Newsletter, Banner Ads, Social Marketing	\$16,645	\$103,367 in ploom.com sales
Video	Rethink Campaign	\$14,289	101,340 views 28 placements
Other - Website	Cart Abandonment	\$1,424 (1 month)	\$16,221 in ploom.com sales
*Reduced planned Q1 spend of \$500,000 by 74% per Finance Department in effort to stabilize cash balances		Total Key Category Spends: \$124,413	ROI on Key Category Spends: ploom.com sales: \$119,588 Impressions/UMV/Views: 112,778,390 Placements: 138 Influencer social posts: 55

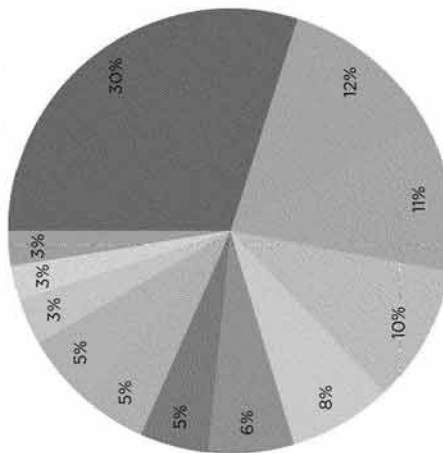
marketing: Pax budget pivot

Opportunity budget - Reallocating remaining budget to gain learnings in preparation for Pax 2 launch: marketing support in Sales target cities, consumer research, large-scale activation test(s)

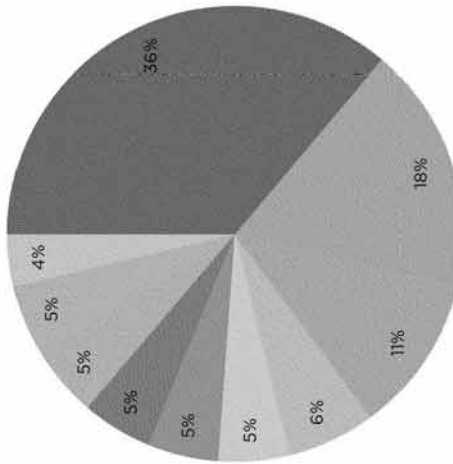
- Online Advertising = 30%
- Samples = 12%
- Print Advertising = 11%
- Video = 10%
- Influencer = 8%
- Collateral = 6%
- Design = 5%
- Website = 5%
- Events = 5%
- PR = 3%
- Photography = 3%
- Travel = 3%

- Opportunity = 36%
 - Online Advertising = 18%
 - Print Advertising = 11%
 - Events = 6%
 - Video = 5%
 - Design = 5%
 - Website = 5%
 - PR = 5%
 - Influencer = 5%
 - Other = 4%
- Other includes Collateral, Photography, Travel, Samples*

initial 2014 Pax budget - \$2,000,000



adjusted 2014 Pax Budget



Collateral	Reduce to \$7,000 - previous spends are now captured with Sales and Global Supply budgets - distributor and retail support, fulfillment materials
Online Advertising	Reduce to \$350,000 - reduced social marketing budget per ROI results, savings by rolling retargeting ads into display advertising program, savings also generated as content production for Pax is value add from modelTwo event spends
Video	Reduce to \$100,000 - savings generated as video distribution captured within Online Advertising
PR	Increase to \$100,000 - transitioning to new PR firm better positioned to manage upcoming launch and business press needs
Photography	Reduce to \$15,000 - savings generated by anticipated assets shared by JTI
Influencer	Reduce to \$100,000 - savings generated by new Field Marketing Manager hire - no longer utilizing influencer agency for on-site management
Samples	Reduce to \$125,000 - Field Marketing Manager reviewing program to tighten spend
Event	Reduce to \$50,000 - Ploom sampling strategy transitioned majority of event dollars to modelTwo
Travel	Reduce to \$15,000 - reduced event-related travel

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sales

Develop credibility in the retail and wholesale marketplace by introducing Ploom Inc. and its products to influential retailers and distributors

Commercialize Pax and modelTwo + pods by targeting a select group of trade partners for initial distribution

Groom new trade relations for future juul sales

key learnings

initial activation strategies showing positive results
modelTwo + pods account for majority of new customer revenue
customer base diversification outpacing revenue diversification
modelTwo requires greater-than-expected in-store incubation, and is delivering less-than-expected rates of sale

key initiatives

deliver \$48M sales revenue
expand pax distribution base
launch modelTwo via small-scale test initiatives
groom long-term strategic trade relations
develop and grow sales team to deliver key initiatives

sales: key initiative update

\$48M sales revenue

YTD revenue is trending ahead of plan, and is on track to be at, or above, plan of \$48M by end of year. YTD revenue of \$15.3M is +\$6.7M (+79%) ahead of last year and +\$2M (+15%) ahead of plan. April revenue was +84% over last April and +42% over plan driven by atypically large WHG orders to right-size inventory levels.

Pax and related accessories dominate revenue accounting for 96% of total dollars. However, revenue is beginning to diversify with modelTwo + pods contributing 4% of total revenue. Alternatively, new customer revenue accounts for 5% of total revenue.

pax channel distribution expansion

Pax is gaining incremental traction, and proving viable, in the CTS channel. Initial CTS test has been expanded from 14 stores to 50 stores. Additionally, Pax has been activated in an additional 4 regional CTS chains. Most encouraging is that Pax is benefitting from modelTwo trade activations as Pax is included in 42 of the 45 new trade activations. As vaporization becomes more mainstream, we are experiencing some early interest from the convenience channel to test Pax distribution in select stores. Pax is on-track to reach the goal of 7,000 total outlets by end-of-year.

modelTwo launch

Initial activation strategies are beginning to deliver measurable results. ModelTwo + pods is included in 44 of the 45 trade activations. ModelTwo is now being purchased by 13 customers in addition to online sales. The initial test has been expanded from 14 to 30 stores, and modelTwo is now being sold in 4 additional targeted chain store tests. New customers overall account for 81% of total \$612K modelTwo revenue. Conversely, modelTwo comprises 71% of total \$705k new customer revenue—in stark contrast to overall Ploom revenue ratio of 4% /96% (modelTwo / Pax).

Post initial distribution, modelTwo requires significant in-store support at launch such that unaided sales models are ineffective. Ploom field sales are making progress towards gaining distribution whereas unaided distributors and retailers have had little to no success. Early sell-thru data points to slower-than-anticipated sales rates which necessitates an immediate need to increase velocities thru additional promotion vehicles.

trade relation development

To date, Ploom has been introduced to a combination of retailers and wholesalers that control over 60% of the tobacco market. The trade has been very receptive to the company, its products, and their relative unique selling propositions. The sales team is actively grooming these relations for existing product sales as well as future juul sales. Progress against this initiative has exceeded expectations and bodes well for early juul activations.

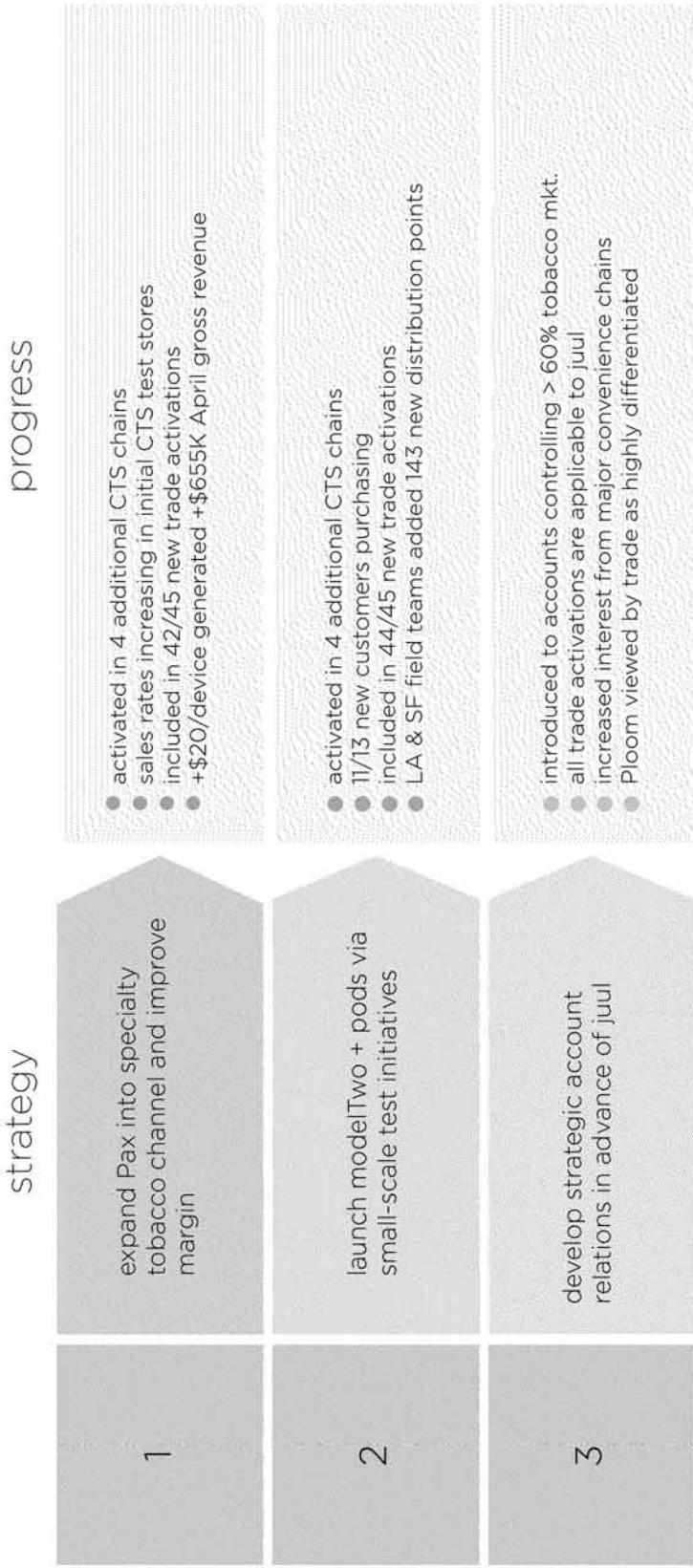
sales team development

The sales team has grown to 16 (12 field, 2 strategic accounts, 2 internal) The three field sales teams are now fully-populated with the New York team starting on April 28. Field management has been focused on activating the market via additional regional distributors that support the local independent class of trade. The field teams are on-track to reach their stated distribution objective of 200 accounts per sales person. ModelTwo sell-in and activation is more time consuming than expected which further supports the need for a directly aided go-to-market approach.

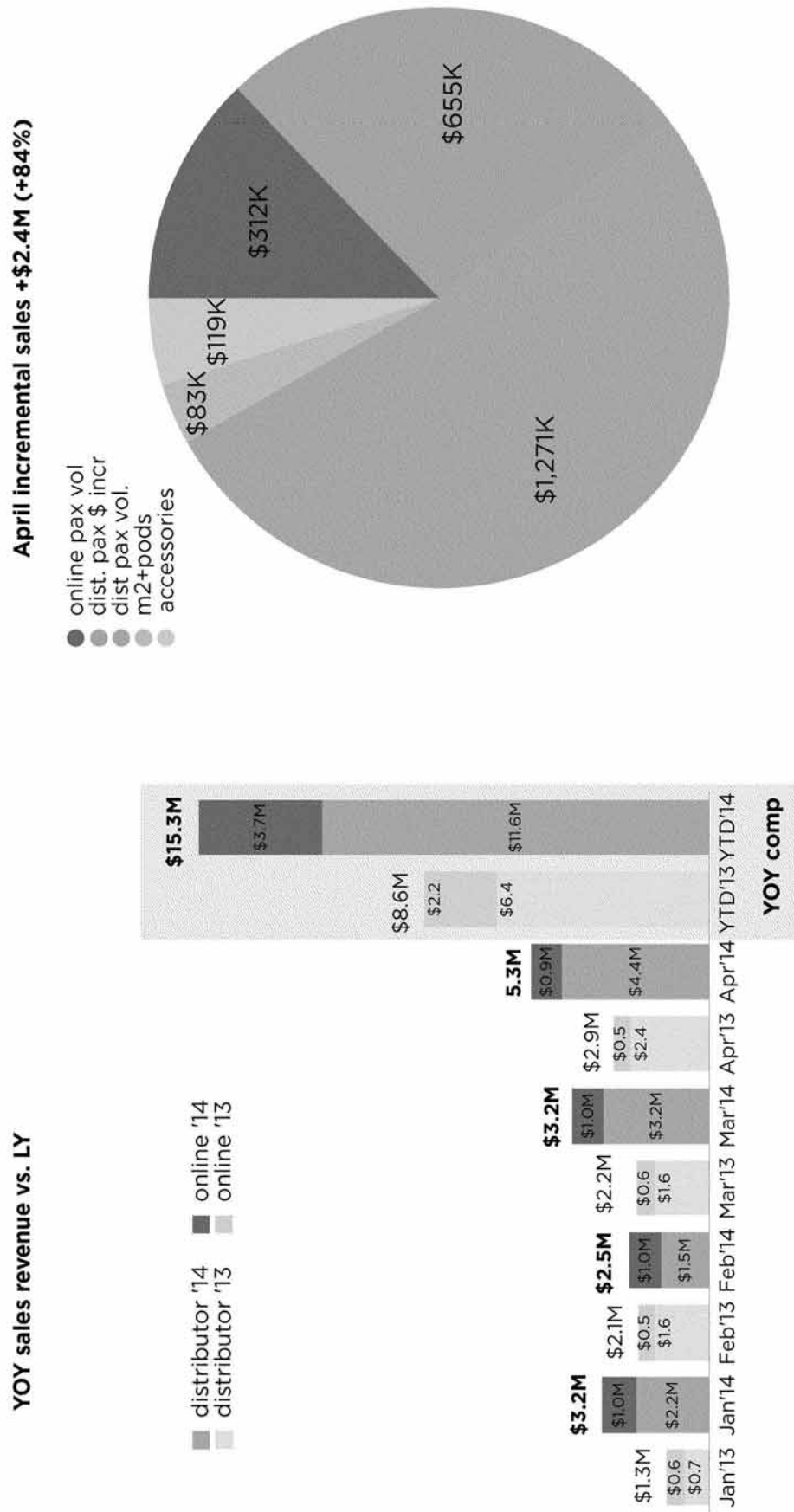
The strategic account team is overseeing the vast majority of the 45 trade retail and trade activations. Upcoming sales team additions will be focused on (in order of priority) increasing key account management and opportunistically building out the existing three field teams.

sales: strategic phase (A) progress

Sales most notable contributions to-date are the Pax list price increase and the 45 trade activations. The \$20 Pax list price increase was wholly absorbed by wholesalers and retailers resulting in no MSRP increase. This will deliver approximately +\$5M in 2014 gross revenue. Ploom has been introduced to 45 trade partners to-date setting the stage for a successful juul launch and allowing for pax distribution expansion and model theTwo test launch.



YTD gross revenue comparison



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YTD actual sales vs. plan

YTD sales revenue to-plan

YTD sales trending +15% above YTD plan
plan: \$13.3M
actual: \$15.3M

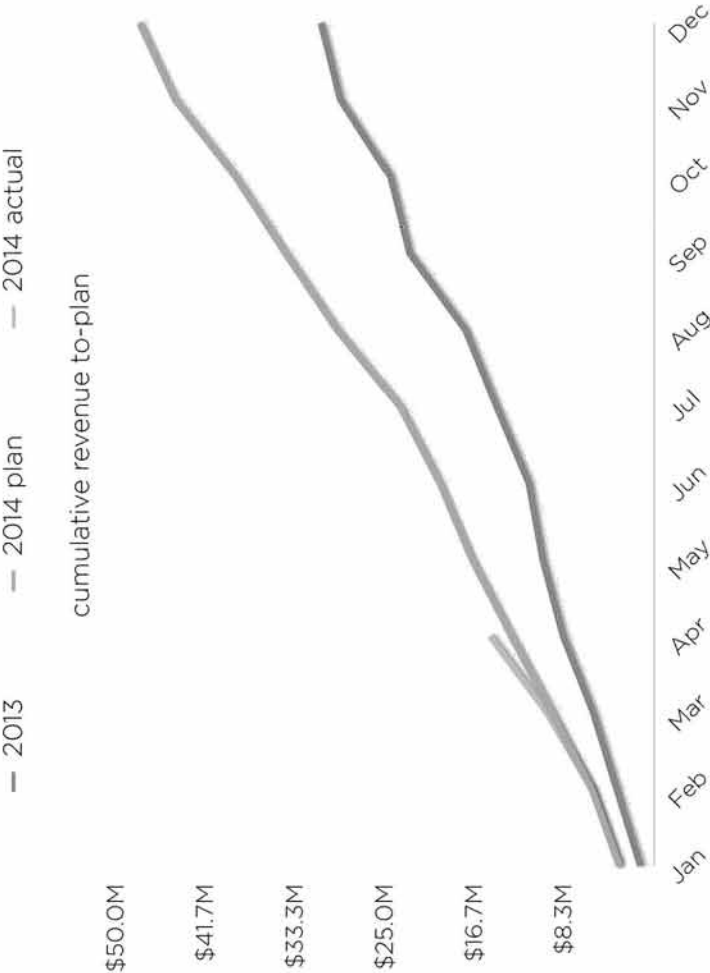
YE finish if remainder of year on-plan = +4% or +\$2M to-plan
plan: \$47.9M
finish: \$49.9M

YE finish if remainder of year continues at +15% = +\$7.3M to-plan
plan: \$47.9M
finish: \$55.2M

YTD % to-goal: 32.0%
LYTD % to total year: 27.5%

April revenue driven by atypical 28,880 WHG pax shipments (safety stock buildup)

expecting Q2 to end +10%-12% above plan



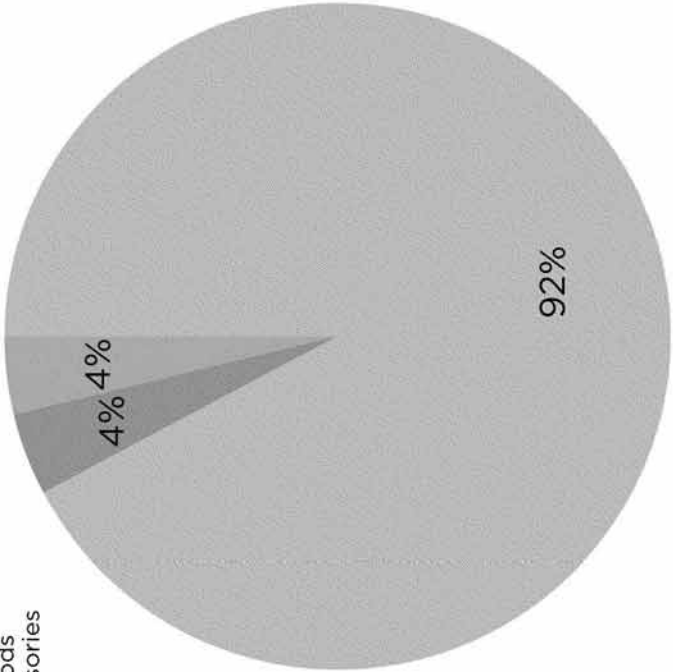
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YTD revenue metrics

YTD sales revenue by product category

- pax remains dominant revenue driver
- revenue beginning to diversify with m2 + pods
- small-scale of m2 initiatives combining for low percentage of total revenue

- Pax
- m2+pods
- accessories



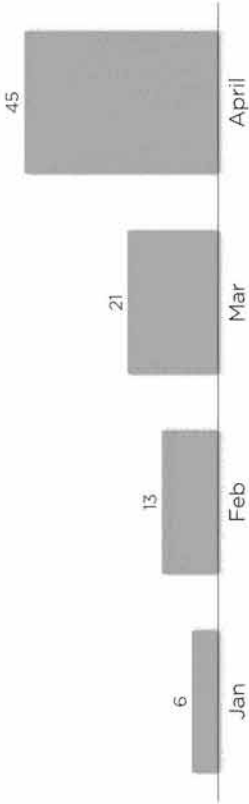
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YTD sales metrics

- 2014 sales metrics reflect progress against key initiatives

metric	2013 LYTD	2014 YTD
pax volume	65,055	93,183
pod pack volume	0	94,696
m2 device volume	0	9,909
ship-to customers	2	15
LA SF field placements	0	366
ploom sales team	0	16
trade activations	0	45

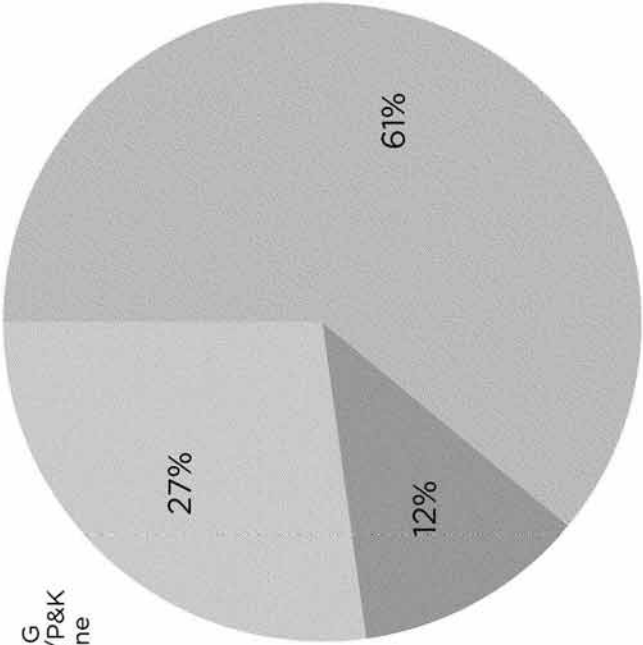
cumulative trade activations



YTD revenue by source

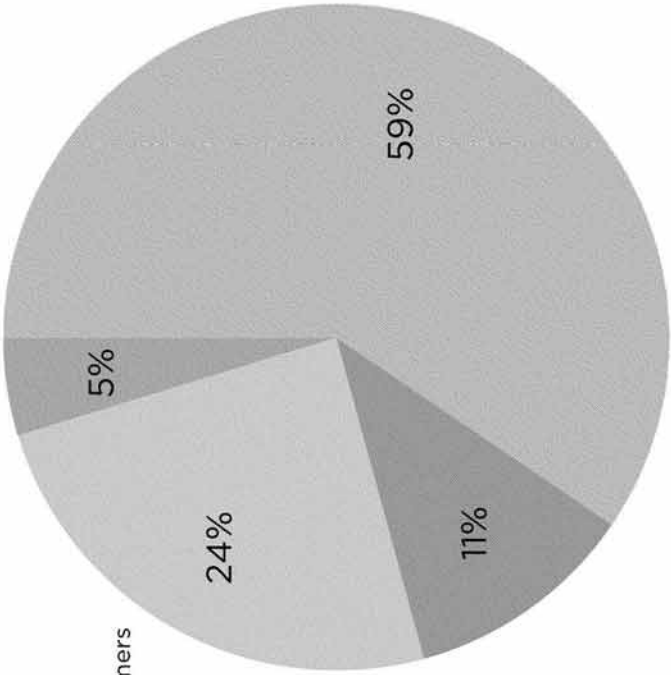
2013 sales revenue by source

- 2013 reflected need for revenue / customer diversification



YTD'14 sales revenue by source

- new customers contributing to revenue diversification
- project WHG at 54% by end-of-year, new customers at 10%



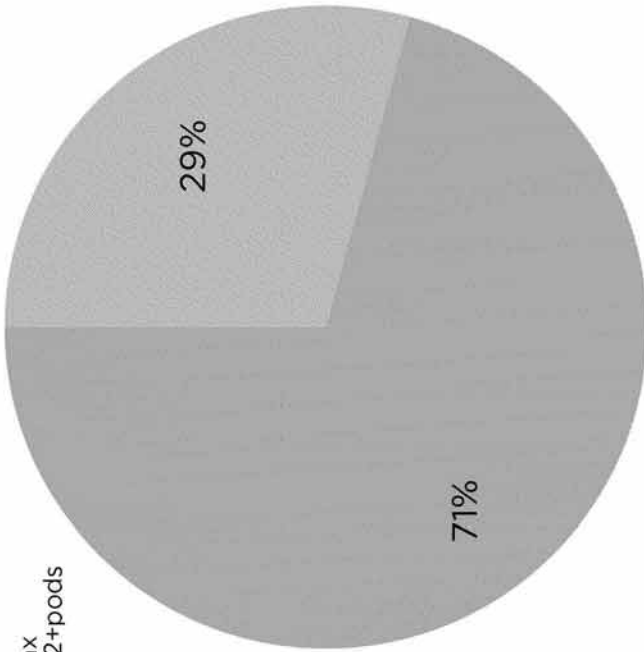
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YTD new customer revenue

YTD new customer sales revenue (\$705K) by product category

- new customer revenue reflects progress against m2 launch strategy
- m2+pods account for majority (71%) of new customer revenue
- new customer pax/m2 revenue ratio 29/71 vs. total Ploom 96/4

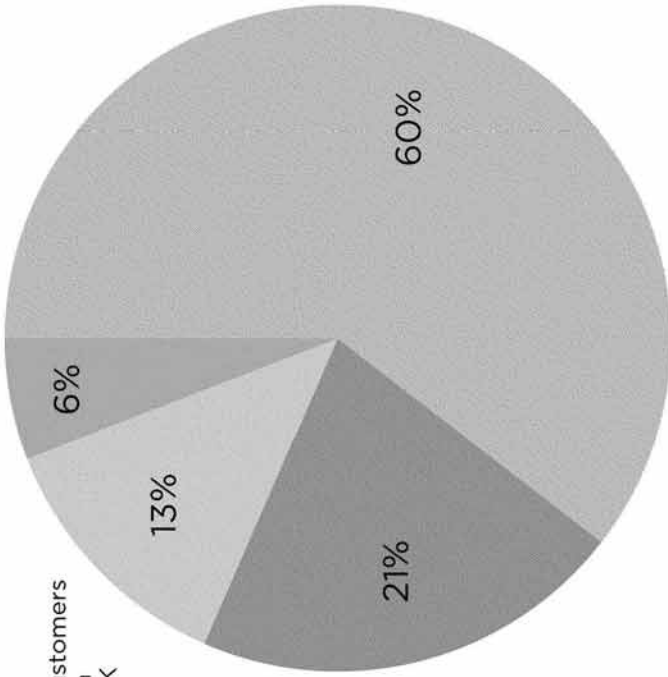
- Pax
- m2+pods



YTD modelTwo + pods revenue (\$612K) by source

- new customers account for majority (81%) of m2+pods revenue
- reflects initial trade interest and willingness to test

- Sheetz
- a/o new customers
- Ploom.com
- WHG / P&K

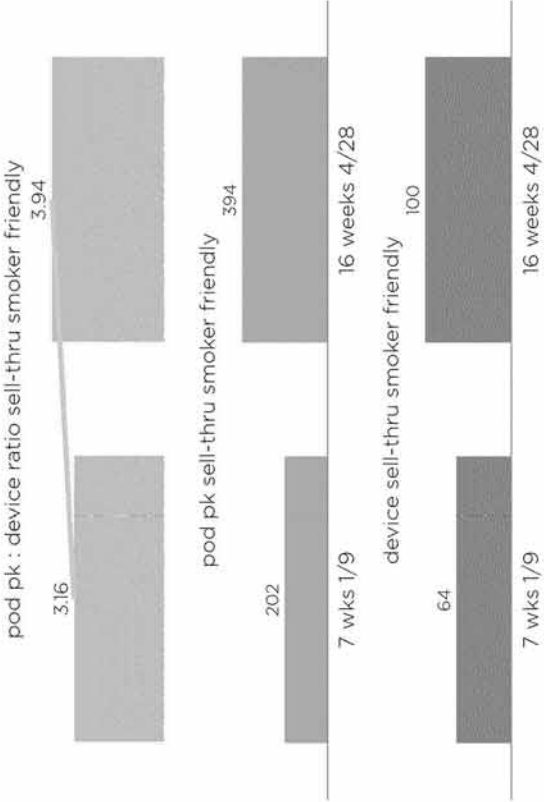


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new customer pod pack sales

pod pack sell-thru CTS Smoker Friendly test

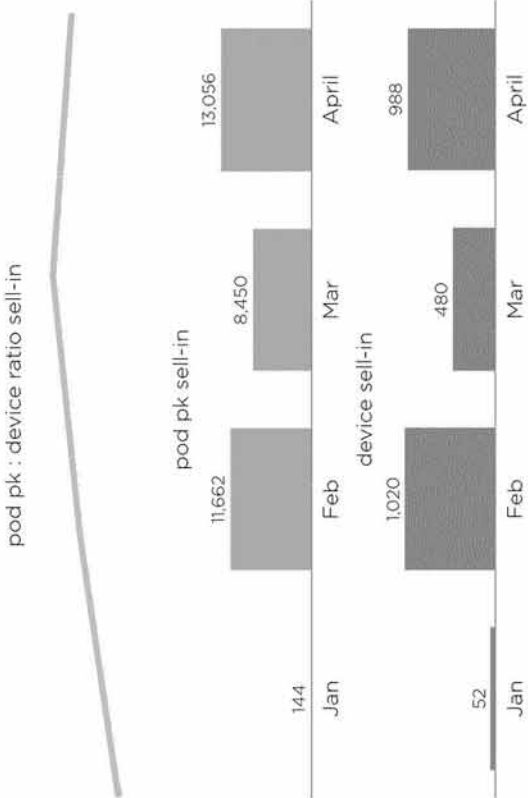
- increasing pod/device ratio between periods indicating existence of some stable user base
- overall velocities declined between periods reflecting the need to increase rates-of-sale
- period ending 1/9 saw greater in-store promotion activity



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pod pack sell-in for all other (a/o) new customers (excl. Sheetz*)

- initial sales trends relatively stable
- increasing pod pack sales to devices thru March
- majority of sales reflect initial sell-in for pre-sold retail accounts
- sell-thru to-be-reflected in future reorder patterns
- next steps are to analyze reorder patterns vs. sell-in
- *Sheetz data excluded due to large pipeline fill quantities



global supply

GSC supports the key manufacturing requirements of world-class innovative products by:

- Ensuring on-time delivery of high-quality, finished goods while minimizing costs.
- Ensuring manufacturing capabilities for existing and future products.
- Balancing inventory to provide flexibility and corporate optionality.
- Supporting continuous improvement of products through Ploom's quality program.

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key learnings

Ploom's fast growth necessitates processes, protocols, checks and balances in order to maximize efficiency of resources
Data integrity and consistency yields a more accurate and robust demand planning system
Demand is a business planning activity that requires cross-functional collaboration
Streamlining the JTI / Defond relationship will dramatically improve Ploom's ability to grow and streamline its own business

key initiatives

JUUL supply chain strategy
M3, PAX2 Product transitions - supply chain strategies
JTI / Defond Supply Agreement (subordinate to Ploom / Defond agreement)
Legal and financial framework with JTI and Defond for management of surplus components and future orders
ERP implementation - prep internal S&OP processes and back-end data for smoother transition
Continuous improvement through defect analysis and collaboration with Defond's engineering and quality teams
Right-size PAX and M2 inventory for 2014

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global supply chain

JUUL Supply Chain Strategy

GS is coordinating with Engineering and R&D to understand the supply chain requirements and infrastructure that will be needed to supply JUUL. This is an on-going initiative.

M3 and PAX2 Product Transitions

M2 to M3 transition - Current strategy calls for launch of M3 in October 2014. It will be launched independent of the release of a new pod formulation. Excess M2 stock will be managed, and Ploom will determine whether a write-off will be necessary. The M2 is gaining traction in the US market, and it is difficult at this time to predict sales performance in Q4 for this product.

PAX1 to PAX2 transition - Ploom expects to sell out of AMETHYST (PURPLE) PAX by Q3 2014, and there is no plan to purchase AMETHYST (purple) or EMERALD (green) any longer. Demand planning will shift to the ONYX (black) and COBALT (blue) colors, and we expect to have some level of inventory as we launch PAX2 in Q1 2015.

JTI and Defond Supply Agreement

JTI and Defond have a working de facto relationship for which Ploom is currently the intermediary. Ploom and JTI are collaborating to understand a legal and financial framework for which JTI can work directly with Defond. This would allow JTI greater freedom to manage its demand planning and production, while Ploom remains the design center for all Ploom product lines.

Surplus Components

JTI continues to be a pro-active partner in addressing component exposures at Defond. Ploom is actively working with Defond to mitigate component exposures on M2 as obsolescence is planned in Q3 2014. Ploom will work through PAX excess components by end of 2014, with transition to PAX2 scheduled for Q1 2015. JTI has committed to helping Ploom and Defond account for excess components by working out a legal, financial, and logistical framework for managing components. There is a portion of components that can be used for future product lines, as well, and this is part of the calculus for managing these materials.

ERP System for Ploom

An internal inventory planning model was developed and implemented in Jan 2014 to centralize inventory, sales, and forecast data, providing higher accuracy and higher resolution. This is the interim solution until ERP implementation.

The GSC team is set to adopt, implement, and manage a world-class, cloud-based ERP system that will provide greater accuracy and intelligence for how Ploom manages its business.

Warranty and Quality Program

Key investigations into technical problems on the PAX, and an analysis of historical data for PAX defects has yielded substantive results that have improved accuracy for on-line quality checks. GSC has also bridged customer service with engineering so that the findings are being fed back into the design of PAX2. Many of the issues that we have identified have been addressed by the PAX2 design team. And Ploom continues to work with Defond's engineering and quality teams to improve the products.

PAX and M2 Inventory

PAX - Normalization of PAX inventory in the USA has been achieved. Sales rates are faster than expected. Current monthly sales rates are averaging at or around 25,000 units. There is no excess of PAX inventory.

M2 - Ploom continues to right-size M2 inventory as it continues to expand M2's footprint in the US market. M2 inventory is expected to be in excess at M3 launch.

Tobacco Pods - Ploom continues to right-size Pods inventory as it continues to expand M2's footprint in the US market. Pods inventory is expected to be in excess at M3 launch

Accessories - Sales rates continue as expected for all PAX and M2 accessories, with purchase orders being submitted accordingly. There is no excess of PAX accessories inventory.

Personnel

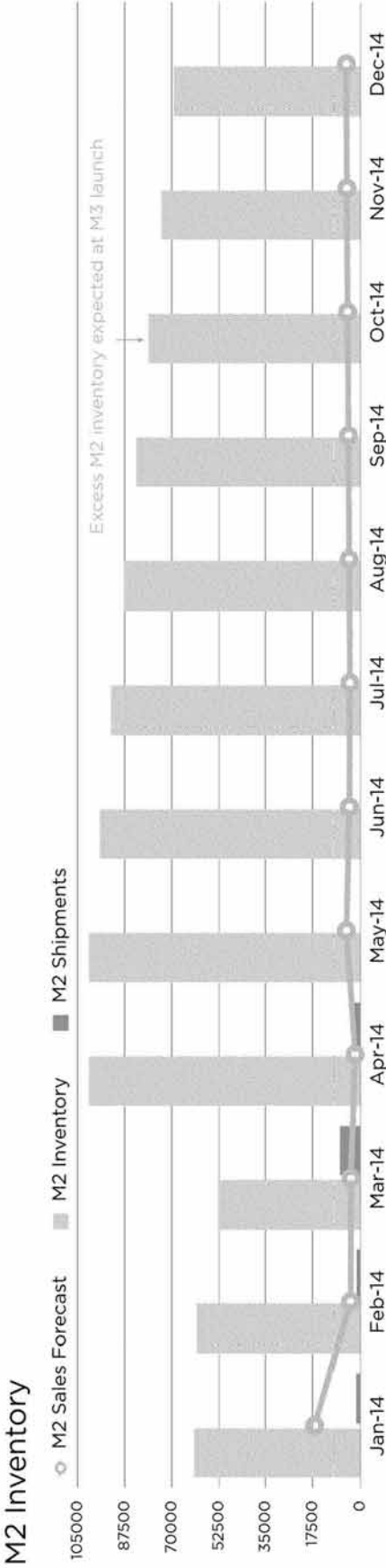
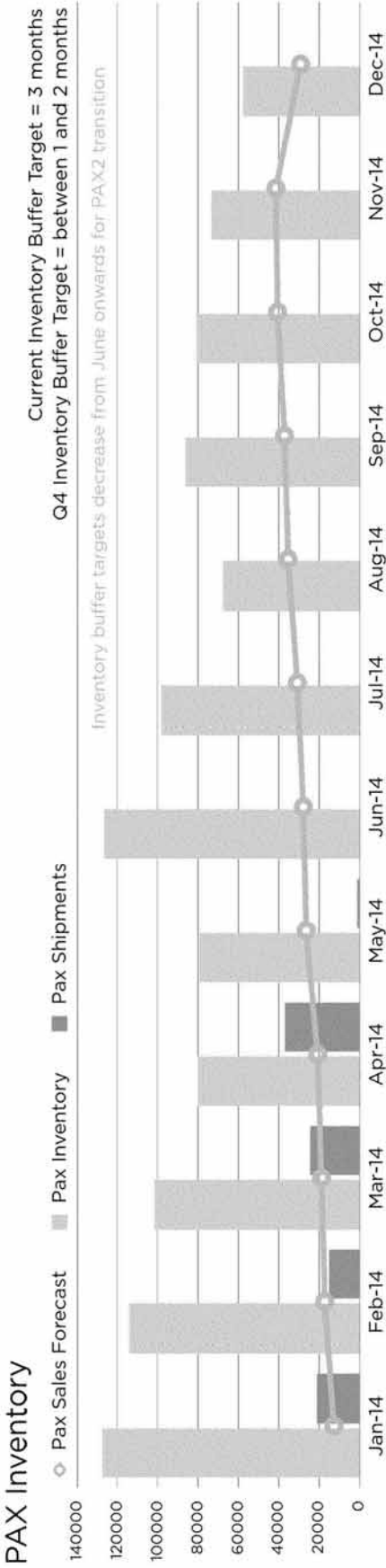
Current head count: 4

- Director
- Operations Manager
- Warranty Quality Manager
- Logistics Manager

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global supply chain - US inventory outlook



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product design

PD creates innovative products that drive Ploom’s brand identity of offering elegant, simple, and easy to use vaporization experiences.

The PD group is responsible for all aspects of the development of products and accessories, including industrial design, engineering, user interface, and packaging. PD also coordinates all required compliance and safety testing.

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key learnings

Additional staff are needed to support product growth. We will continue to evaluate key hires to help maintain aggressive schedules and improve product quality.
Juul prototype design meets vapor performance requirements, but needs refinement to eliminate leaking.
Pod products need to focus on increasing vapor production and quality.
People love Pax, so redesign should improve and expand, but not change the key usage paradigm.

key initiatives

Perfecting Juulpod design by eliminating leaking issues and maximizing vapor performance.
Testing of higher temperature modelThree prototypes to support R&D effort to markedly increase pod vapor production and quality.
Development of Pax2 maintains existing Pax usage while offering significant product improvements.
Researching on-demand heating performance for loose-leaf vaporization product to maintain product leadership and expand product line offerings.
Expanding the team where necessary to help ensure schedule adherence.

Juul

Device

Working Alpha prototype shown.

Beta unit being redesigned to a larger form factor to incorporate increased battery (250mAh vs. 200mAh) and higher-capacity pod (200 puffs/pod), based upon JTI's market research. Form factor models of larger device/pod being created to select ID direction.

User-selectable power settings for user to optimize experience being added.

Packaging

Concepts and preliminary production pricing received.



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JuulPod

Pod

Issues with leaking at both atmosphere and pressure (e.g. on an airplane) are being addressed with a multiple design direction strategy.

Design 1 has a fiberglass tube air path, single wick, and a batting-filled tank to solve the leaking issue. Batting will require a 50% increase in pod size, eliminate visible liquid level, and impact end-of-life pod performance. Preliminary prototypes received and on hold pending testing of Designs 2 and 3.

Design 2 is a refinement of the Alpha prototype pod design which maintains a liquid tank, two side air paths, improved sealing, and overflow areas to accommodate typical worst-case pressure scenarios (2 airplane trips). Preliminary testing average to poor vapor performance (2-3mg/puff). Pressure testing has not yet been conducted.

Design 3 has a liquid tank, with a central air path, improved sealing, and overflow areas to accommodate typical worst-case pressure scenarios (2 airplane trips). Preliminary testing shows good leak resistance and excellent vapor performance (8mg/puff, stable puff size over entire pod life).

Prototypes of Design 3 are being tooled to provide 5 devices/20 pods to JTI in late June.

Current designs provide 100-110 puffs at 4.5mg/puff. Redesign in progress to provide a minimum of 200 puffs based upon JTI's market research.



Key Design Elements	Design 1	Design 2	Design 3
	Fiberglass tube air path, batting to store liquid	Side plastic air paths, liquid tank, overflow tank in cap	Central plastic air path, liquid tank, overflow tank in cap
Similarity	Most disposables (e.g. Njoy)	JoyE eRoll	Combination of eRoll and Njoy
Design Positives	Fewest leak issues, doesn't require overflow tank	Design flexibility Simplified molding	Fewer sealing surfaces reduce chance of leaking Optimal air flow resulting in excellent vapor performance
Design Negatives	50% increase in pod size, no visible liquid level, degraded end of life performance	More sealing surfaces increase chance of leaking Airflow is non-optimal resulting in lower vapor production	More complex molding

modelThree

Prototype sample build (shown) in early April with Defond was successful and requires only minor design changes to proceed with engineering sample build in June.

2X battery life and lower enclosure surface temperatures are key improvements over modelTwo.

Mouthpiece ergonomics improved and vapor condensation under mouthpiece reduced through mouthpiece design change. Prototype parts received, tested, and approved for tooling.

Packaging concepts and production quotes received.

Units set to high-temperature (210°C) tested to support R&D's new pod formulation to increase vapor production. Testing for 2-5 days displayed no degradation to plastics and magnets, but browning of heater surface. As a reference, examination of existing modelTwo heaters also shows similar browning of heater surface at standard temperature (180°C). Longer term heating test being conducted to assess any other reliability concerns. We are also prototyping higher-temp heaters with several alternative vendors.

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Pax2

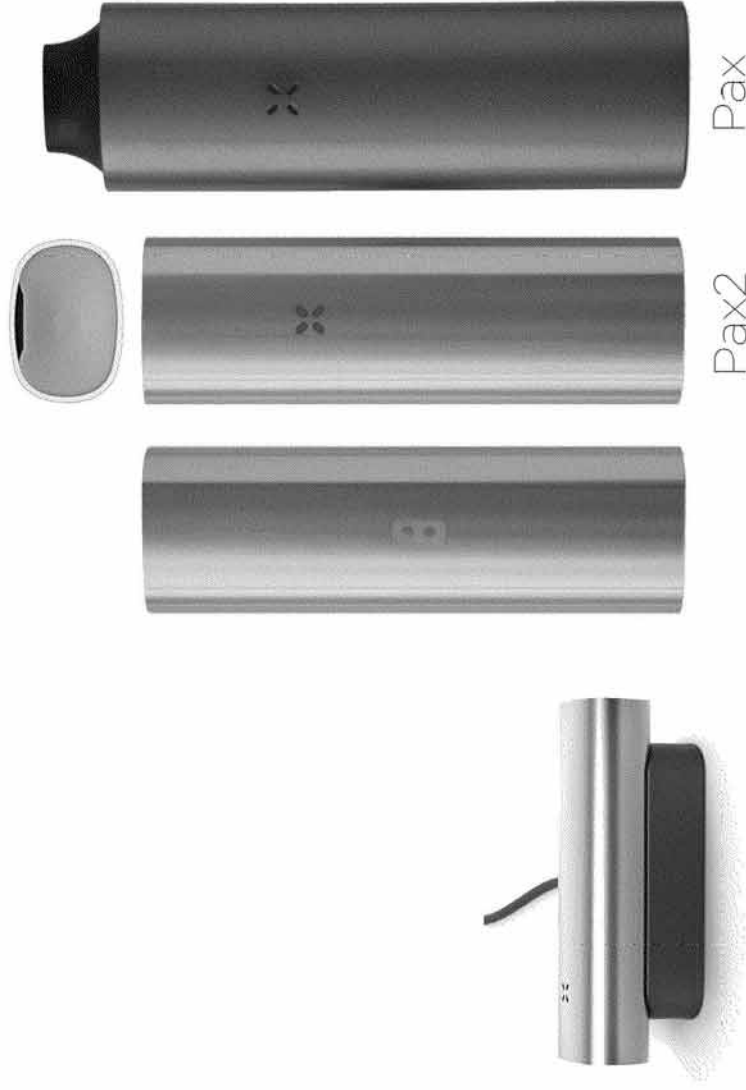
Working Alpha prototype shown.

Fixed mouthpiece (removable) also serves as On button
 Sealed temp-set button under removable mouthpiece
 Four independently controlled LED's
 Plastic oven lid and smaller, deeper oven
 Charging contact on rear replaces visible screw

Design improvements over Pax of faster heat-up time, reduced size, better cleanliness and product reliability have been proven out by Alpha prototype testing.

Product is being redesigned for Beta to improve mouthpiece removal, light-pipe isolation, drop test durability, and slow charging. UI improvements for temp-set, heating and charging status being prototyped for internal testing. Beta units on track for end of June.

USB-powered dock with internal battery to maintain charging speed being prototyped. This will eliminate the need to package country-specific AC adaptors and allow us to optimize and unify the packaging.



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B1 (Boox)

R&D and Engineering are working together to create an on-demand, flat heater system.

Prototype 1: 3 second heat-up time on over-driven flex heater prototype (approx. 100W/heater) resulted in damage to heater

Prototype 2: 2.5 second heat-up time on 1.2 sq. in. stainless steel foil heater at 100W/heater (83W/sq. in.) with no damage to heater

Prototype 3: Larger, more usable 2 sq. in. SS heater tested at lower power of 80W/heater (40W/sq. in.) resulted in 6 second heat-up time.

Next steps: Now that we have a better understanding of the power characteristics of SS foil heaters, we are pursuing parallel development paths. Path 1 is to optimize the SS heater geometry, support materials, and oven construction to achieve the fastest heat-up time possible using available battery technology. Path 2 is collaborating with flex heater vendors to improve high temperature stability.

In tandem, R&D is exploring a disposable pouch-based tobacco system that will optimize the user experience with an on-demand, flat heater system



timeline overview

modelThree

Pax2

Juul

phase.	milestone	timing	milestone	timing	milestone	Timing
1	Functional prototypes (1 device)	Completed mid Oct. 2013	Functional prototypes (1 device)	n/a	Functional prototypes (5 devices/20 pods)	Completed mid Oct. 2013
2	Alpha prototypes (5 devices)	Completed Feb 2014	Alpha prototypes (3 devices)	Completed May 2014	Alpha prototypes (25 dev/100 pods)	Completed Feb 2014
	Packaging design start	Started Feb 2014	Packaging design start	Started May 2014	Design / liquid / pack design start	Started Feb 2014
3	Beta devices	n/a	Beta devices (5 devices)	Jun 2014	Beta devices (25 dev/100 pods)	Delay to July 2014
4	Prototype sample build (50 devices)	Apr 2014	Prototype sample build (25 devices)	Sep 2014	Prototype sample build (50 dev/200 pods)	Oct 2014
	Packaging design (final)	Jun 2014	Packaging design (final)	Oct 2014	Packaging design (final)	Nov 2014
	Engineering sample build (100 devices)	Jun 2014	Engineering sample build (50 devices)	Oct 2014	Engineering sample build (100 dev/400 pods)	Nov 2014
	DVT build (200 devices)	Aug 2014	DVT build (200 devices)	Nov 2014	DVT build (200 dev/1K pods)	Dec 2014
	Pilot production (250 devices)	Sep 2014	Pilot production (250 devices)	Dec 2014	Pilot production (250 dev/1K pods)	Jan 2015
	Mass Production Start	Sep 2014	Mass Production Start	Jan 2015	Mass Production Start	Feb 2015
5	Ready for market launch	October 2014	Ready for market launch	February 2015	Ready for market launch	March 2015

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r&d

R&D develops core technologies that enable products with a significant improvement in vapor quality, consumer satisfaction and market differentiation.

Establish an industry-leading scientific understanding of aerosol science and chemistry for e-vapor products.

Continuously create new technical solutions with a clear view towards productization.

key learnings

Taking a novel approach to the problem of vapor production in Pods has led to a significant improvement.

JUUL flavor development is progressing slower than anticipated.

key initiatives

Prepare development timeline for Pods improvements by end of May.

With FDA deeming regulations recently released, develop a position on regulatory environment and implications for Ploom.

Complete clinical study of JUUL nicotine chemistry by mid June.

Set new agreements and practices to address IP expenses by end of May.

Implement new approaches to flavor development for JUUL.

Develop new tobacco pouch concept that's compatible with rapid heating ("BOOX") concept by end of June.

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R&D recent developments

Pod Improvements

Ploom R&D developed two alternatives for improvements to vapor production in Pods. The first, and preferred, option requires the use of a new humectant ingredient: trimethylene glycol (TG). The second requires a shift in the ratio of existing humectants (PG and VG). These improvements were presented to the JTI Emerging Products team on April 2.

For Option 1, subsequent assessment by JTI SRA deemed that there was insufficient published toxicity data to support the usage of TG at the levels requested. For Option 2, the requested shift in humectants was preliminarily approved. Ploom and JTI therefore resolved to focus on Option 2, while continuing to investigate Option 1 for later introduction.

For both options, an increase in the device operating temperature is required to obtain the full benefit. Ploom and JTI are now working to determine development timelines, such that the Option 2 improvement can be implemented in time for Model 3 launch (targeted October 2014). We aim to have this timeline ready for review with all relevant Ploom departments by June 1.

JUUL Clinical Study

The R&D team visited the New Zealand site where the JUUL formulations study is being conducted. The purpose of this study is to support our patent filings with industry standard pharmacological data, as well as to further guide product development. Preliminary data supports the claims of improved nicotine delivery relative to e-cig formulations currently on the market.

Flavor Development

R&D is bolstering efforts in flavor development for JUUL liquids. Specifically, we added a qualified new flavor house to our list of partners (now totaling 3), and are exploring new approaches based on mimicry / reverse engineering of flavors already successful in the marketplace.

New Tobacco Platform

Development of a tobacco-based rapid heating system ("BOOX"), a collaboration with Ploom PD, yielded two promising first prototypes. R&D will continue to focus on this effort, and in addition has begun to develop ready-made tobacco pouches.

In-house Analytical Capabilities

A UV/Vis spectrophotometer was purchased, and methods have been validated to quantify nicotine and other compounds of interest. This will speed up the feedback loop for various development efforts.

Regulatory

Proposed FDA deeming regulations were released April 24. R&D is developing a position on potential implications for Ploom's current and planned new products. The main near-term action item is to advocate our views in the 75-day comment period.

I.P.

JUUL: Conversion of formulations provisional filed.

Pods: Claims granted for key features of the device and cartridges in Japan and Europe (702 Family).

PAX: Trademark registration for the 'X' symbol and for BLEND X.

IP legal fees exceeded budget in Q1. In response we will establish a new capped fee scheme by end of May.

Counterfeiting

A cover article in Tobacco International exposing PAX counterfeiting has proven effective at increasing enforcement by B2B/B2C sites such as Alibaba and DHGate. This supports that PR can be a cost-effective measure in combatting counterfeits.

Counterfeit PAX sales outside the U.S. are observed to be increasing, with high incidence in Spain. A brief is being prepared for JTI's review.

No counterfeit activity for M2 or Pods has been reported yet.

R&D overview 2014-2015

2014 Goals & Milestones

Ploom R&D will continue development and refinement of overall formulations, including our own unique nicotine chemistry, for use in the U.S. market.

- Apr - Preliminary selection of functional ingredients
- June - Complete clinical study of JUUL formulations, to confirm delivery profile and support patent applications
- Aug - Complete stability study of formulations in JUUL cartridges
- Oct - Flavor development complete

In addition, Ploom sees the opportunity to develop new platforms in the ready-made and loose-leaf tobacco categories. The latter will be prioritized, to preserve Ploom's leader position in the category.

- Apr - Proof of concept for fast heat-up loose-leaf vaporizer
- Jun - First round prototype
- Aug - Develop new product spec with Engineering, Sales, and Marketing
- Sep - Translate learnings for a new ready-made platform
- Dec - Proof of concept for a new ready-made platform

2015 Planning

To identify new areas of investigation for 2015, Ploom R&D will in 2014:

- Conduct panel discussions with all relevant internal departments (Marketing, Sales, PD, Customer Service)
- Consult with industry experts (both e-cigarette and traditional tobacco)
- Identify FTO and areas for IP capture with patent counsel
- Topics to be presented for discussion at Q3 and Q4 BOD meeting
- Development plans to be finalized by EOY 2014

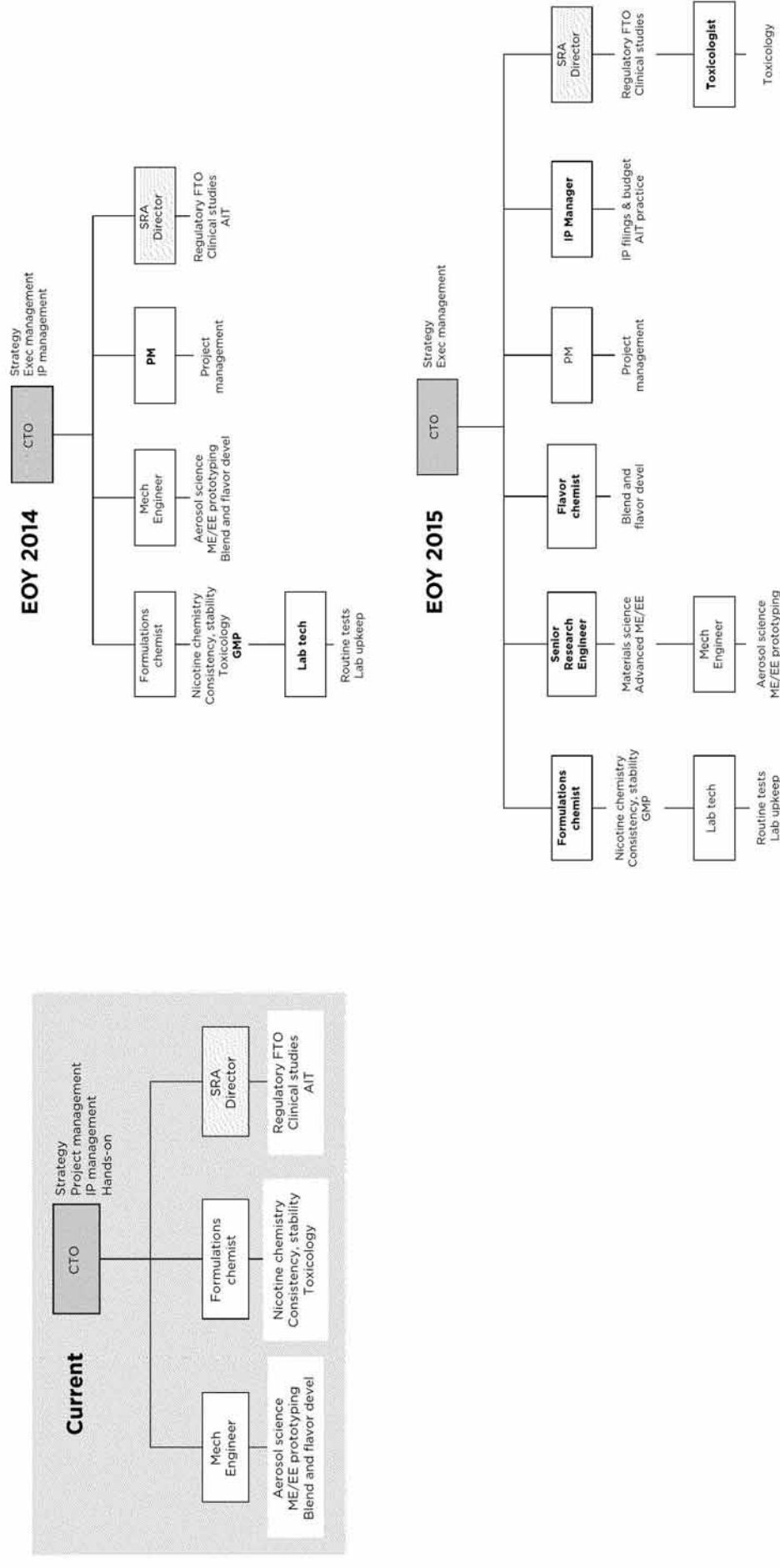
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Current prioritization of new topics:

1. Wick- and coil-less e-cigarette
2. Multiple heaters with selectable flavor, vapor production, or nicotine strength
3. Thin film tobacco
4. Tobacco extract-based e-liquid flavors
5. Powerless aerosolization

Staffing: To support the breadth of new projects in 2015, as well as ongoing support for products in engineering and post-launch, R&D anticipates 4 new hires in 2015 within key disciplines (See EOY 2015 org chart).

R&D growth



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customer service

Great customer service is a sellable product. It's brand reputation and product value, validated in the eyes of the customer.

CS focuses on world class customer service but also manages the front and back end of the website to support a seamless end-to-end customer experience.

CS is a centralized resource for the entire company to gather consumer insights, empathy and useful analytics.

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key learnings

Ploom customer service and warranties are key purchasing decisions for customers and consumers.
Rapid growth and distribution adds complexity to growing customer base
More work is needed to accommodate online sales of tobacco products and to accurately capture e-commerce operational costs.
Service and support opportunities exist between customer/consumer facing departments.

key initiatives

Exceeding customer needs and expectations
Lead CRM and database implementation
Ensure site operations are efficient and effective.
Build internal support structure

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customer service

Sum of department initiatives: ensuring exceptional customer experiences and services are delivered in every interaction.

The CS department has reached the ceiling of what's achievable with current software solutions; we are meeting customer expectations, but not exceeding them. The features below do not exist in our current software solutions.



Salesforce CRM initiative: Streamline, Automate, Access, Insight

- Complexity of B2B and B2C support services requires interdepartmental communication
- Streamlined platform that promotes external/internal customer and consumer communications
- Luxury services for a luxury brand
- Create insightful customer profiles for personalized service, e.g. VIP's, returning customers, different product users
- Greater knowledge could be achieved by tracking customer purchase decision history.
- Quick access to total customer history for improved message quality
- Warranty services are manually received, sorted and processed, accounting for 25% of our volume and 50% of our labor costs.
- Automate rote and manual workflows for quicker warranty service turn around

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customer service

Sum of department initiatives: ensuring exceptional customer experiences and services are delivered in every interaction.

E-commerce operations have previously been spread across departments adding to unknown costs. New online tobacco regulations have added to the complexity of e-commerce operations and cost.

Ploom.com initiative: maximize only direct to consumer channel and highest margin

- **3-4%** of ploom.com monthly revenue is absorbed by e-commerce merchant services, not identified in previous budgets.
 - Identify and assess all site operational costs to inform future strategy and investment decisions
- **25%** of all site sales are at risk without optimized credit card processors and age verifications systems.
 - Ensure ploom.com is operationally sound and provides a brand worthy consumer experience
- **75%** of customer support volume is non-warranty related and could be relieved with more site resources.
 - Increase customer self service, add visual resources and improve site navigation to alleviate contact overload, ultimately improving response times and quality of service.

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customer service

Sum of department initiatives: ensuring exceptional customer experiences and services are delivered in every interaction.

CS, Marketing and Sales cover 7 external communication channels with no process for consistent support and messaging across those channels.

Internal Support Structure: Foster dynamic touch points between CS, Marketing and Sales

- Identify Marketing and Sales counterpart positions in CS to align communication strategies
- Social media messaging aligned with proactive support outreach
- Retail advocacy messaging aligned with direct to retail service offering
- E-commerce strategies aligned with revenue driving marketing initiatives
- Direct to consumer support messaging aligned with brand ideals



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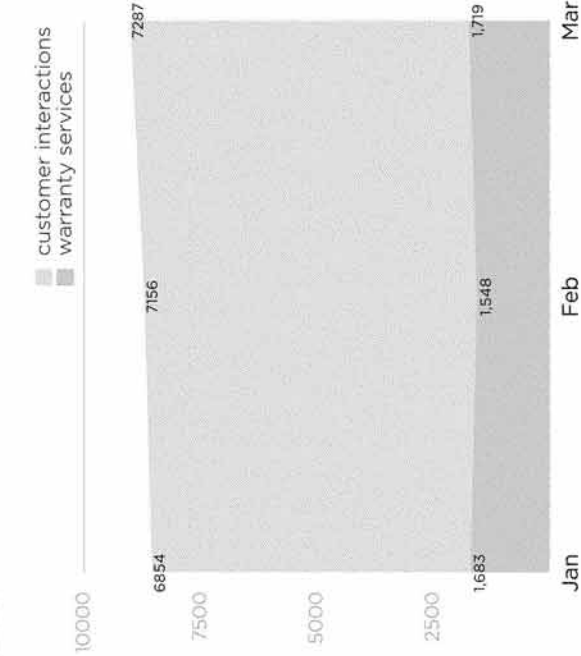
customer service: warranty snapshot

Customer service launched a post warranty survey and the feedback was overwhelmingly positive.



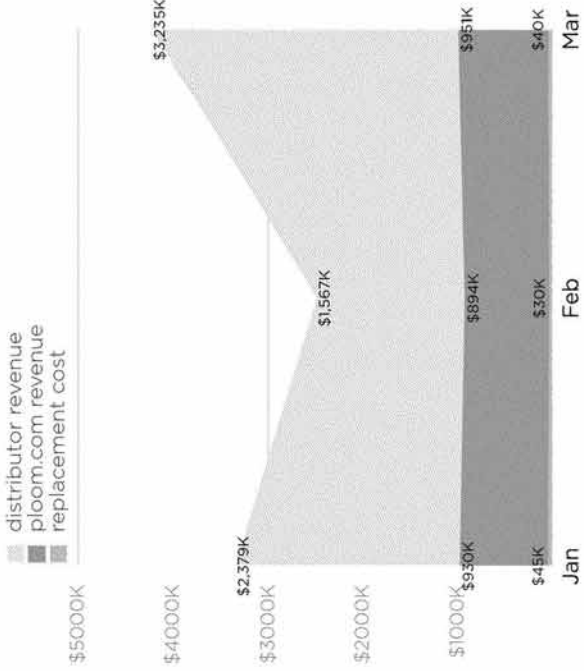
Big Pappa Puff
@NORM.chieppart
@Ploom @D9oM49 had a issue and your folks made good. Smoot and easy transaction. Others could learn from your customer service.

06:54 PM · 23 Apr '16



Warranty service volume and product cost remain low while sales and customer correspondence increase.

Warranty services make up 25% of support request volume
Cost to replace devices < 5% of ploom.com revenue



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staffing

	Bplan Oct '13	Now	Dec '14	Phase B	Phase C	Phase D
Exec	3	3	5	4	4	4
Engineering	6	7	9	6	7	7
R&D	3	2	6	6	7	7
Marketing	4	6	9	10	10	10
Finance/Ops	3	5	6	5	6	6
GSC	2	4	5	6	7	7
Cust Svc	7	9	11	8	9	9
Sales	4	17	27	75	241	306
Mgmt.	2	2	3	5	5	5
Internal Sales	1	1	2	7	9	9
Field	1	12	22	63	227	291
Total	32	53	78	120	291	356

Current Sales Expansion Implement test markets

- Staffing for initial sales test markets complete
- ❖ Includes 4 people each in LA, SF and NY Metro
 - ❖ Includes 2 strategic account managers
 - ❖ Success is measured by device/pod ratio and revenue generation
 - ❖ Plan includes 12 additional sales hires this year, dependent on market results
 - ❖ Consistent with bplan, sales will be 35% of total headcount at year end, and represents 95% of all intended future hires

HQ Staffing

Hiring plans continue to evolve and adjust based on business needs
Pace of hiring has slowed as all departments have achieved functionality
Monthly salary costs forecast below previous projections at \$400K by year end
Majority of open positions are entry level coordinator roles to improve operational effectiveness of each department

Personnel Update

CFO hire continues to be highest priority
COO role being further refined
Head of People and Talent (HR) hired
Test Engineer hired

Phase B

Sales coverage of 17,000 outlets, Q1, 2015

Phase C

Sales coverage of 45,000 outlets, Q2, 2016

Phase D

Sales coverage of 70,000 outlets, YE 2017

[end]

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FDA Guidelines - Interpretation and Impact for Ploom

Executive Summary

- FDA's proposed deeming regulations were published April 24. FDA will review comments, and is expected to approve final regulations in 2015.

Expansion of Enforcement to Ploom Categories

- FDA already had jurisdiction over all tobacco products (HR1256), but this expands enforcement from cigarettes to all tobacco categories including pipe tobacco (Pods / Model 2 platform), e-cigarettes (JUUL platform), future novel consumer tobacco products, and some or all cigars. Enforcement applicability to Pax will require clarification by FDA.
- Most importantly, enforcement entails pre-market approval for new products, and post-market approval for products which are on the market but which launched after the grandfather date.
- Enforcement also entails other key provisions including warning labels, no sales to minors, listing of ingredients, and manufacturing audits.
- Limitations on flavors and advertising will likely be addressed in future legislation, but were not included in the proposed regulations.

Implication for Ploom: Freedom to Operate Issues

- E-cigarettes on the market as of the date of approval of the deeming regulations will most likely obtain relief from FDA market review requirements, possibly through introduction of Congressional legislation. Thus it is important that JUUL not slip in its launch date, and possibly an accelerated launch should be considered.
- Pods have exposure to risk of being removed from the market in 4-6 years, unless Ploom can piggyback on the relief efforts for e-cigarettes. In parallel, Ploom should consider applying for "modified risk" designation so that it can more fully communicate the benefits of Pods to consumers and thus expand sales.
- It is Ploom's view that Pax, as a stand-alone device, should be considered a tobacco "accessory" and thus exempt from FDA enforcement, but we will seek clarification from FDA on this. If Pax were required to apply for FDA post-market approval, it has a high probability of success of being considered "substantially equivalent" to tabletop vaporizers and thus allowed to remain on the market.
- Potential investment scenarios required to support Ploom's future regulatory submissions are enumerated below.

FDA Guidelines – Interpretation and Impact for Ploom

As expected, the FDA published its draft Deeming Regulations extending enforcement of existing regulations on cigarettes (HR1256) to additional tobacco products including e-cigarettes and pipe tobacco. The FDA has taken a scientific and pragmatic approach in this regulation, applying a broad spectrum view for risk assessment, particularly around new products.

Although this regulation is only at the proposal stage, it provides some clarity and freedom to operate while outlining generally some appropriate restrictions. For the time being, nothing has changed in the current business environment or legal landscape and states continue to pursue local restrictions and limitations across the category.

Categories Covered by Deeming Regulations

1. Require pre-market approval applications (or post-market for products already on the market)
2. Prevent adulteration and misbranding
3. Provide ingredient lists for tobacco products
4. Report harmful and potentially harmful constituents
5. Register products with the FDA
6. Prohibit modified risk descriptors
7. Prohibit free samples
8. Enforce Minimum age restrictions
9. Require health warnings
10. Manufacturing facility inspections

Paths to Market

Paths are still consistent with HR1256. All products need to register with the FDA following one of these pathways:

- **Grandfathered:** a product on the market as of 2/15/2007 can stay on the market with no FDA approval required
- **Substantial Equivalence:** demonstrate a product has the same constituents or poses no new health risks as a product already on the market as of Grandfather date
- **New Product Application**
- **Modified Risk:** demonstrate a product reduces harm or risk of tobacco related diseases and is expected to benefit the health of the population as a whole.

Possible Modifications to the Existing Proposal

At the request of the White House OMB, FDA also evaluated several alternatives, noting however that they may not be legally permissible. However they may anticipate Congressional actions. Two of these alternatives could positively impact Ploom FTO:

- Exempt newly deemed categories from premarket submission requirements. (FTO for all current and future Ploom products)

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- Change new product Grandfather Date to the Date of Issuance of a Final Deeming Regulation. (FTO for all current Ploom products, possible SE pathway for future Ploom products)
- Other alternatives would decrease labeling requirements but would not modify Grandfather Date.

Enforcement Timeline (as currently written):

Ploom anticipates a 3-6 year freedom to operate window before final regulations are in place and the above restrictions are fully enforced on Ploom

- 75 day comment period has commenced
- 12-24 months before comments are fully reviewed, incorporated and final deeming regulations are published as law
- Once finalized, additional timelines (6-24 months) apply for enforcing each regulatory requirement
- Small businesses (<350 FTE) have an additional 24 months to comply

Regulatory Context

FDA submissions by definition entail risk, because FDA has the latitude to interpret the relative benefit and risk of the product and to approve or deny any application at its discretion. In the medical device and pharmaceutical industries, there are well defined guidelines for submissions, and a large database of previous applications, and yet many submissions are rejected each year, some relatively unexpectedly from the investor perspective.

That said, a well crafted submission strategy and application package can significantly increase the odds of approval. The regulatory goals of Ploom are to optimize the odds of approval and freedom to operate, to increase commercial potential for its products through being able to communicate their benefits to consumers, and to maintain compliance with regulations once on the market.

The only tobacco products which do not have exposure to approval risk are grandfathered products, and so this is the preferred designation to have. Currently, all tobacco products share a Grandfather Date of Feb 15, 2007. FDA has indicated that it does not have the authority to change the Grandfather Date for e-cigarettes, but in response to the White House it has contemplated (footnote) scenarios in which the Grandfather Date is extended to the Date of Approval of the Deeming Regulations (DADR), or extended indefinitely. There are many potential scenarios regarding Grandfather Date, but currently the most likely scenario is that Congress will extend the Grandfather Date to Date of Approval for Deeming Regulations (DADR), for the e-cigarette category. This date is most likely approximately 1 year away, but could be anywhere from 6 to 24 months away. The investment community continues to believe that the e-cigarette category will maintain freedom to operate, at least for products currently on the market.

Products already on the market as of DADR, or entering within 2 years afterwards have the freedom to enter the market without any FDA submissions. However by the DADR + 2 years point, these products will need to submit either a Substantial Equivalence (SE) or New Product (NPA) application, and after a review of 6-12 months, FDA could have the ability to deny the application and force it off the market immediately, or could approve the product.

Products launched after the DADR + 2 year date would not be allowed to enter the market until FDA approved an SE or NPA application.

Submission Pathway for Vaporization Products

For vaporized tobacco products, it is not yet clear what level of evidence the FDA will ultimately require in order to submit an application with an optimized probability of approval. The range of potential scenarios is described below. A more extensive application will require more resources to support it.

Submission Pathway for Vaporization Products					
Submission / Characterization Requirement	Substantial Equivalence (Streamlined)	Substantial Equivalence (Extensive)	New Product Application (Streamlined)	New Product Application (Extensive)	Modified Risk
Manufacturing / quality inspection	Post approval	Post approval	Post approval	Pre approval	Pre approval
Ingredients characterization	Yes (for product and predicate)	Yes (for product and predicate)	Yes	Yes	Yes
Vapor constituents / particle size / density	No	Yes (for product and predicate)	Maybe	Yes	Yes
Animal toxicity studies	No	Maybe	Maybe	Yes	Yes
Stability studies	No	Probably not	Maybe	Maybe	Yes
Human nicotine pK	No	Maybe	Maybe	Yes	Yes
Human biomarkers	No	Maybe	Probably not	Maybe	Yes
Human health effects (tobacco related diseases such as COPD, lung cancer, etc.)	No	No	No	No	5 yrs after it gets on the market
Population effects (smoking initiation, quitting)	No	Probably not, but may increase odds of approval if included	Maybe	Maybe, but may increase odds of approval if included	Yes
Resources to file submission (approximate)					
Time to prepare	2 months	6-18 mo	6-18 mo	12-24 mo	18-36 mo
FTE (additional)	1	2	2	3	4
External expenses	< \$200k	\$500k - \$1M	~\$500k - \$2M	\$2M-\$5M	~\$10M

Unlikely requirement	Possible requirement	Probable Requirement
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Impact for Ploom and Actions to Consider

Path to Market			Actions for Ploom to consider	
	Grandfathered or Not Enforced	Can enter market but need to file	Need to file before market entry	
Pax Platform				
Blend X	N/A	Blends launched through 2017	Blends launched after 2017	Expect "streamlined" SE application. No action needed for now.
PAX Vaporizer	All PAX, if pipes are "accessories"	All PAX launched through 2017, if pipes are "components"	All PAX launched after 2017, if pipes are "components"	Ask FDA to confirm that Pax is an "accessory" and therefore not enforced. If Pax is deemed "component" then use tabletop vaporizer as SE predicate. Could be "streamlined" or "expanded" SE.
Model 2 / Pods Platform				
Pods	Pods if grandfather date extended for vaporization, not just e-cigs	Blends launched through 2017	Blends launched after 2017	Lobby for Congress / White House to extend Grandfather Date for all vaporized products, not just e-cigs. Longer term consider modified risk path to allow Ploom to communicate the product benefits to consumers and increase sales
Pod Vaporizer	M2, M3 if grandfather date extended for vaporization	M2, M3, M4 if launched by 2017	Blends launched after 2017	
JUUL Platform				
Harvey Bottles	Harvey – if grandfather date extended for e-cigs	Harvey, if grandfather date not extended for e-cigs	All e-liquids launched after 2017	Maintain on market until launch of JUUL Kit to maintain predicate. Consider increasing sales volume.
JUUL Pods	J1 if grandfather date extended	J2, J1 if grandfather date not extended	J3	Monitor industry efforts to extend Grandfather Date. Consider accelerating J1 launch, and prevent any delays.
JUUL Kit	J1 if grandfather date extended	J2, J1 if grandfather date not extended	J3	If grandfather date does not change, try to get separate SE approval for Harvey, and for Juul Kit with c. 2007 e-liquid, and then try to get SE for the combination.
	No restrictions on Freedom to Operate	Risk of FDA removing product from market if found not Substantially Equivalent or if New Product App is denied	Can't enter market without FDA OK	

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